



CAPITAL INVESTMENTS LIMITED

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***MFF Capital Investments Limited ('MFF')
Net Tangible Assets ('NTA') per share for August 2018***

Please find enclosed MFF's monthly NTA per share for August 2018.

***Geoffrey Stirton
Company Secretary***

Monday, 3 September 2018

**MFF Capital Investments Limited ('MFF')
Net Tangible Assets ('NTA') per share for August 2018**

MFF advises that its approximate monthly NTA per share as at 31 August 2018 was \$3.046 pre-tax, (\$2.762 pre-tax as at 30 June 2018) and \$2.549 after providing for tax¹. Figures are cum dividend (1.5 cents per share fully franked payable in November 2018).

Periodic updates in the month from portfolio companies maintained positive trends, and competitive strengths appear maintained. Overall market prices for portfolio companies continued moderate advances. Non US markets evidenced some pressures, and we continue to review for opportunities which may become attractive in comparison with parts of the portfolio. Portfolio activity was negligible for August. Month end NTA numbers were increased because of AUD weakness/USD strength. MFF also moved some more cash to AUD (see below) in anticipation of dividend, tax and other expense payment obligations (refer to MFF 2018 financial statements).

Our ongoing portfolio inactivity is explained partly by the reasonable probability that holdings will be more valuable in 10 and 20 years, and because nearer term opportunities are not obviously more attractive than existing holdings. The portfolio structure means that if markets decline generally and/or MFF's portfolio holdings decline, the market value of the portfolio will also decline. As well as market risks, MFF continues to be exposed to risks that business performances of the portfolio do not meet expectations. Recent USD strength, and the related weaker AUD, mean that current currency risk is also higher than it was in previous years.

At recent AGMs MFF has discussed momentum markets and the advisability or otherwise of 'buying the dips'. We reiterate that MFF's cash levels do not provide protection in the event of serious declines, and that buying after falls must be assessed based upon conditions that then prevail (not the earlier conditions). Cash remains unattractive as a longer term investment class, but has potential value in accessing opportunities. MFF continues to 'park' some capital in some large heavily traded equity securities, in addition to modestly increasing cash levels. In the recently rising markets this equities strategy has been satisfactory (and is being reduced), and has remained very modest in comparison with our core activities of investing in advantaged businesses and in seeking bargains.

Every month there are various structural, cyclical, political, regulatory, market and other business factors with short or longer term implications. The US ten year bond (discussed in NTA releases earlier in 2018) has moved little in recent months, and we continue to monitor inputs and implications. We continue to be cautious about acquisition opportunities. We prefer situations where [short term] market nervousness or other factors make acquisition prices lower. Some value managers with successful longer term records are having to sell in order to fund redemptions, and index investors are adjusting to changes to index inclusions of technology companies at the end of the month. Pressure points appeared in various markets alongside the month end record US index levels, and reflect risks and contagion concerns. Debt and currency pressure points often build up over months and years, with emerging market pressures recently becoming more obvious.

Net cash as a percentage of investment assets was approximately 3.2% as at 31 August 2018. AUD net cash (including short term bank deposits) was 2.9%, GBP net debt 1.0%, USD net cash 1.6% and other currency borrowing/cash exposures were below 1% of investment assets as at 31 August 2018 (all approximate). Although the overall currency positioning remains unchanged, we continued to move amounts to AUD in anticipation of tax and other AUD payments. Key currency rates for AUD as at 31 August 2018 were 0.7232 (USD), 0.6216 (EUR) and 0.5564 (GBP) compared with rates for the previous month which were 0.7434 (USD), 0.6354 (EUR) and 0.5667 (GBP).

Yours faithfully,



Chris Mackay
Portfolio Manager

Monday, 3 September 2018

¹Net tax liabilities are current tax liabilities and deferred tax liabilities, less tax assets.

All figures are unaudited and approximate.

Important note

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